

ORDINANCE NO. 19-141

AN ORDINANCE AMENDING CHAPTER 46, CITY CODE TO AMEND ARTICLE II, SECTION 46-26 ENTITLED "APPROPRIATION OF FUND BALANCE/RETAINED EARNINGS AND FUND BALANCE/RETAINED EARNINGS RESERVE LEVELS" AND SECTION 46-91 ENTITLED "LAPSE OF APPROPRIATION" TO CLARIFY THE POLICY AS IT RELATES TO THE SEGREGATED BUDGETARY CASH RESERVES, RENEWAL AND REPLACEMENT FUNDS AND BEGINNING BUDGETARY FUND BALANCE FOR PURPOSE OF THE ANNUAL FISCAL INTEGRITY; REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES IN CONFLICT HERewith; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, an amendment to the City Code has been proposed to modify the City Code Section 46-26 (Appropriation of fund balance/retained earnings and fund balance/retained earnings reserve levels) and Section 46-9 (Lapse of appropriations), to clarify the policy as it relates to the segregated budgetary cash reserves, renewal and replacement funds and beginning budgetary fund balance for purpose of the annual fiscal integrity.

NOW, THEREFORE, BE IT ENACTED BY THE PEOPLE OF THE CITY OF DAYTONA BEACH, FLORIDA:

SECTION 1. Section 46-26, City Code, is hereby amended to read as follows

[~~strikeout~~ indicates deleted text, underline indicates added text]:

Sec. 46-26. - Appropriation of fund balance/retained earnings and fund balance/retained earnings reserve levels.

(a) Definitions.

Cash Reserves means cash that is available at the end of a fiscal year.

Segregated Budgetary Cash Reserves means cash reserves held back for use in emergency uses.

Beginning Budgetary Fund Balance represents the previous year's Cash Reserves as rolled forward into the current year. This terminology is meant

to avoid confusion with Fund Balance, which is a term defined under Generally Accepted Accounting Principles in the United States (GAAP).

Operating Fund is a fund through which governmental and enterprise operations are funded. Evidence of such operations include personnel and other significant operating expenses. An operating fund can be the general fund, a special revenue fund, or an enterprise fund. An operating fund is not any fund whose primary purpose is the funding of capital projects or debt repayment. An impact fee, trust, grant, internal service, or community redevelopment fund is not an operating fund.

- (b) Maintaining a prudent level of ~~unrestricted fund balance~~ Cash Reserves is necessary to protect the city against reducing service levels, emergencies or natural disasters, unanticipated economic downturns, or unpredicted one-time expenditures. They also provide flexibility to respond to unexpected opportunities.

Policy. The city has established a minimum ~~ten percent unrestricted fund balance~~ Segregated Budgetary Cash Reserve of ~~ten percent~~ of total current year budgeted operating expenditures (~~excluding transfers and other financing uses~~) in the general fund. Should the ~~projected or actual unreserved fund balance~~ Segregated Budgetary Cash Reserve fall below this minimum, a financial plan outlining an increase in revenues or a decrease in expenditures will be submitted to the city commission for approval. This plan will require the ~~ten percent minimum fund balance~~ Segregated Budgetary Cash Reserve be fully funded within a two-year period. Use of ~~fund balance~~ the Segregated Budgetary Cash Reserve below the ten percent reserve would be permitted only in the case of a legitimate emergency or disaster, or in the case of an unanticipated economic downturn resulting in a "material" loss in revenues. ~~Non-recurring revenues from the city's fund balance or retained earnings accounts shall not be used to balance the annual budget for recurring expenditures.~~

Additionally, it is the desire of the city commission to establish renewal and replacement ("R&R") funds for the water and sewer and stormwater and certain other enterprise funds to maintain infrastructure and quality of services provided. The intent of the R&R funds is to make funds available on an annual basis to maintain, improve, invest, and assist in disaster recovery for the ~~enterprise funds~~ capital, equipment, and infrastructure of the enterprise funds. Annually the city shall appropriate eight percent of the second preceding fiscal year actual operating revenues (excluding non-operating income and transfers) for the specific fund. The appropriated funds will be made available in a capital project fund designated as "Capital R&R 8% Fund" for the use of the enterprise fund. When capital improvements/repairs as indicated above are necessary, funds will be transferred allocated from the Capital R&R project to a specific project within the Capital R&R 8% Fund as deemed necessary by the ~~department~~

~~head and approved by the city manager. All expenditures are required to follow normal purchasing requirements, and any project in excess of \$25,000.00 must be approved by the city commission.~~

~~All other Operating fFunds of the city should have sufficient retained earnings and equity reserves equal to meet their current obligations (amounts due within 90 days) including any projected extraordinary financial needs maintain the same minimum Segregated Budgetary Cash Reserve percentage as the general fund. Establishment of an R&R fund for any other enterprise fund shall be at the discretion of the city manager and chief financial officer.~~

The Beginning Budgetary Fund Balance shall be used for budgetary purposes, not for financial reporting. In accordance with US generally accepted accounting principles ("GAAP"), the governmental fund balances shall be broken out and reported in up to five different components: nonspendable, restricted, committed, assigned, and unassigned, which are designed to indicate both constraints on how resources of the fund can be spent, and the sources of those constraints.

The monies in the R&R funds shall be used in the following prioritized order:

- (1) To pay the cost of extensions, upgrades or additions to, or the replacement of capital assets of the system, or emergency repairs thereto.
- (2) To expand or replace the infrastructure as deemed necessary by the ~~department director and approved by city manager, unless the expansion is due to developmental growth in which case a developer or commercial entity may be required to improve, expand, or increase capacity of the infrastructure (up to and including processing plants) to enable service to the property undergoing development. In such situation, upon completion of additional infrastructure and approval and acceptance by the city's engineers and inspectors, the infrastructure shall be donated to the city as contributed capital.~~
- (3) To supplement debt service reserves, if necessary, in order to prevent a default in the payment of principal or interest on debt obligations;
- (4) If not necessary for the above stated purposes, such moneys may be used for any other lawful purpose upon approval of the city commission, including but not limited to: transfer to another fund within the city as deemed necessary; the purchase or prior redemption of debt; and the acquisition of additional facilities to be combined with the enterprise fund.

- (5) Lastly, R&R funds may be deemed necessary to cover operating costs. Such use of R&R funds will be at the discretion of the chief financial officer with approval of the city manager and the city commission, and a report showing use of R&R dollars shall be provided to the city commission for information purposes.

The balance of any monies remaining in ~~enterprise R&R~~-funds, after the above required uses have been made, should be maintained in the R&R fund for future investment to the enterprise fund.

SECTION 2. Section 46-91, City Code, is hereby amended to read as follows

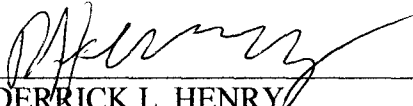
[~~strikeout~~ indicates deleted text, underline indicates added text]:

Sec. 46-91. - Lapse of appropriations.

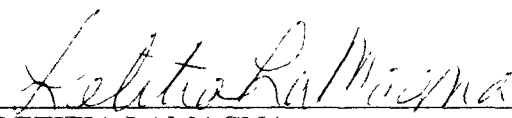
Every appropriation, except as an appropriation for a ~~capital program~~ project expenditure, or a donation or grant funded expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended ~~or encumbered~~. An appropriation for a ~~capital program~~ project expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned; the purpose of any such appropriation shall be deemed abandoned if five years pass without any disbursement from or encumbrance of the appropriation. An appropriation for a grant funded expenditure shall continue in force until the grant expires. An appropriation for a donation funded expenditure shall continue in force until expended or repurposed by the City Manager.

SECTION 2. All ordinances and resolutions or parts of ordinances and resolutions in conflict herewith are hereby repealed.

SECTION 3. This Ordinance shall take effect immediately upon its adoption.


DERRICK L. HENRY
Mayor

ATTEST:


LETITIA LAMAGNA
City Clerk

Passed: June 5, 2019
Adopted: June 19, 2019